

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Menominee County	County Menominee
Fiscal Year End 9-30-06	Opinion Date 1-26-07	Date Audit Report Submitted to State 3-28-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

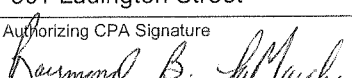
YES ☒ NO ☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111	
Street Address 901 Ludington Street		City Escanaba	State MI
Zip 49829			
Authorizing CPA Signature 	Printed Name Raymond B. LaMarche, CPA	License Number 1101025531	

**COUNTY OF MENOMINEE, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2006**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
County of Menominee  
Menominee, Michigan 49858

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Menominee, Michigan as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Menominee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Menominee County Road Commission, which represents 100 percent of the activity of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Menominee County Road Commission, is based on the report of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Menominee, Michigan as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2007, on our consideration of the County of Menominee, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 12 and 50 and 51, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Menominee's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

January 26, 2007

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Menominee County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2006. Please read it in conjunction with the County's financial statements, which begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the County were reported at \$12,260,805, an increase of \$926,336 (8.1%) over 2005. Net assets for our business-type activities were \$2,168,064 or 18% of total net assets, while net assets in our governmental activities were \$10,092,741 or 82% of total net assets.
- The County's expenses for the year totaled \$9,198,007, an increase of \$293,302 (3.3%) over 2005, while revenues from all sources totaled \$10,124,343 an increase of \$820,881 (8.8%). Expenses remained relatively level, while the primary increase in revenue for 2006 was due to the shift in the property tax collections for the General Fund from December to July, which requires the County to levy an additional 1/3 of their normal operating levy.
- The General Fund reported an increase in fund balance of \$182,863, representing an increase in fund balance of 4.7%. This was after revenues of \$6,037,039 compared to \$5,575,734 in 2005, and expenditures of \$5,960,696 compared to expenditures of \$5,635,154 in 2005. In 2006, the County transferred \$467,995 from the Revenue Sharing Reserve Fund in-lieu of receiving State revenue sharing.

### **USING THIS REPORT**

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## Reporting the County as a whole

### Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets, the difference between assets and liabilities, as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The P.A. 123 foreclosure activity and the collection of delinquent property taxes primarily make up these activities.

The County also presents one legally separate component unit, the County Road Commission. A separate financial statement is available for the County Road Commission and is available at their administrative offices.

## Reporting the County's Most Significant Funds

### Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.



- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

### **The County as a Trustee**

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## The County as a Whole

The County's combined net assets increased by \$926,336.

**Table 1**  
**Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Business-Type Activities 2006	Business-Type Activities 2005
Current and other assets	\$ 8,243,214	\$ 7,146,265	\$ 2,366,524	\$ 2,402,215
Capital assets (net)	2,936,730	3,071,699	-	-
Total Assets	<u>11,179,944</u>	<u>10,217,964</u>	<u>2,366,524</u>	<u>2,402,215</u>
Long-term debt outstanding	569,538	547,114	-	-
Other liabilities	517,665	524,753	198,460	213,843
Total Liabilities	<u>1,087,203</u>	<u>1,071,867</u>	<u>198,460</u>	<u>213,843</u>
Net Assets:				
Invested in capital assets, net of related debt	2,936,730	3,071,699	-	-
Restricted assets:				
Expendable	1,475,314	572,698	-	-
Unexpendable	2,187	2,159	-	-
Unrestricted	5,678,510	5,499,541	2,168,064	2,188,372
Total net assets	<u>\$ 10,092,741</u>	<u>\$ 9,146,097</u>	<u>\$ 2,168,064</u>	<u>\$ 2,188,372</u>

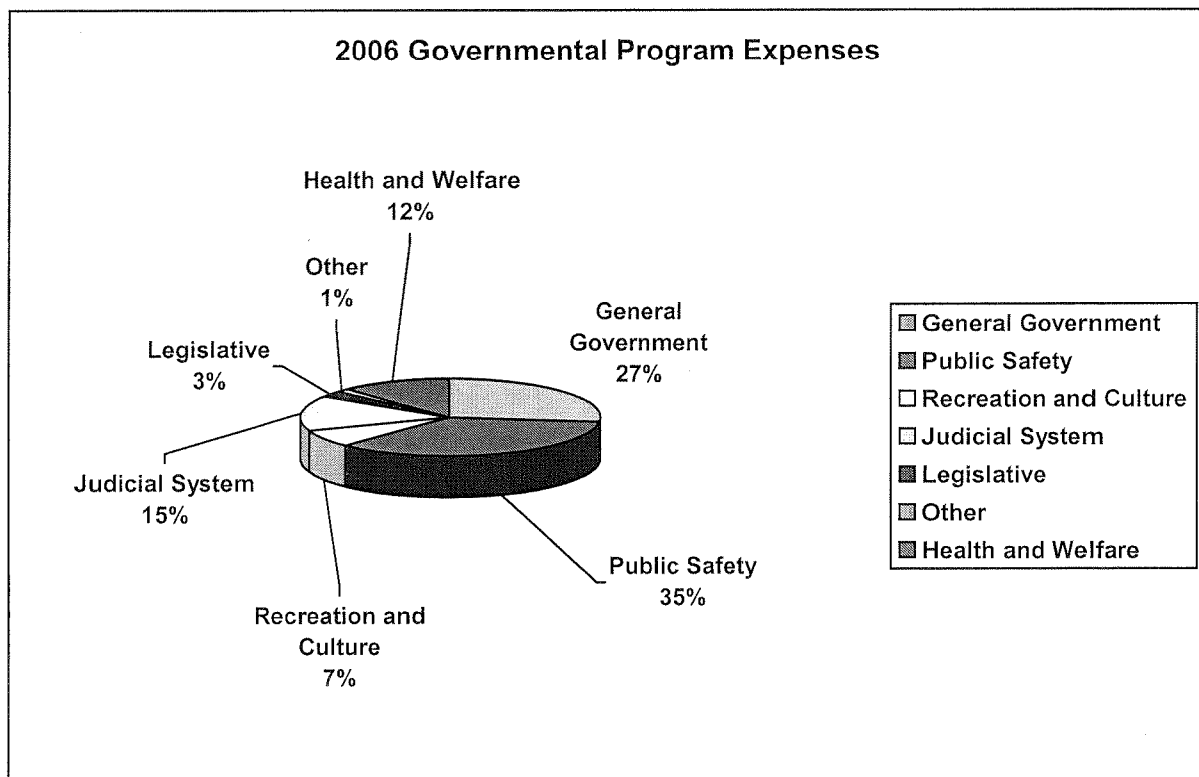
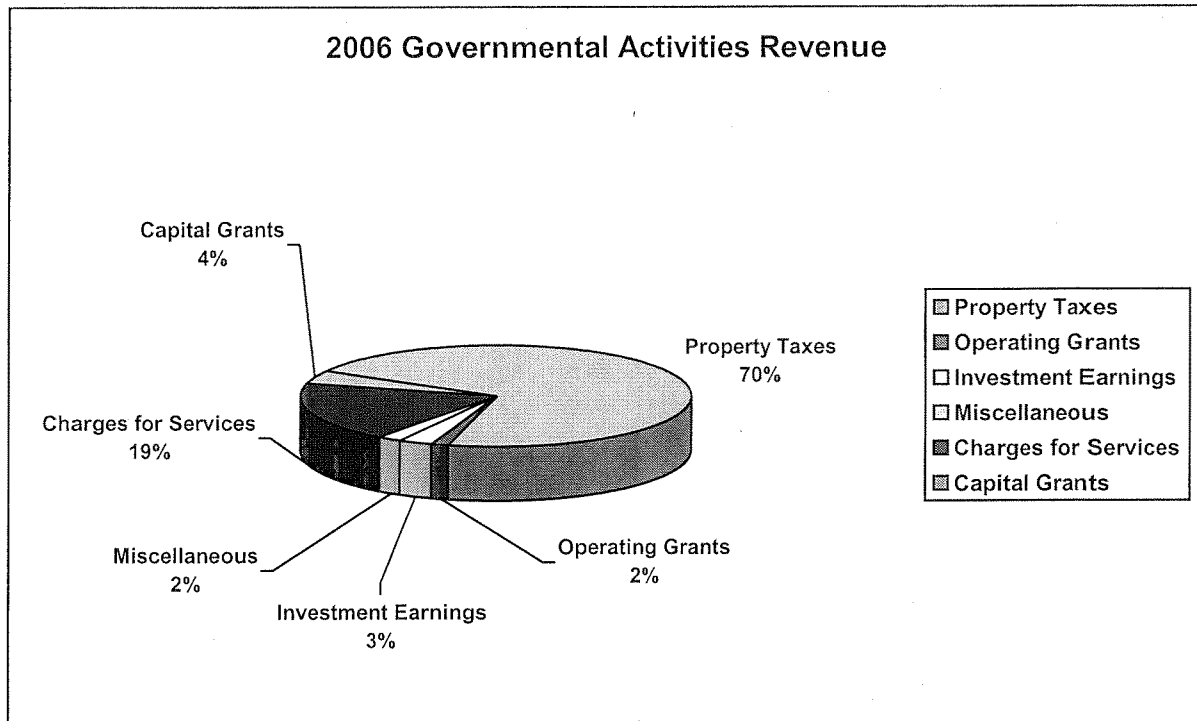
Net assets of the County's governmental activities stood at \$10,092,741. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$5,678,510.

Net assets in our business-type activities stood at \$2,168,064, which were entirely unrestricted as of September 30, 2006.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Business-Type Activities 2006	Business-Type Activities 2005
<b>Revenues:</b>				
Program Revenues:				
Charges for services	\$ 1,644,247	\$ 1,654,668	\$ 311,622	\$ 235,814
Operating grants	1,303,304	1,343,903	-	-
Capital grants	363,144	33,222	-	-
General Revenues:				
Property taxes	6,090,642	5,745,433	-	-
Unrestricted investment earnings	227,579	142,478	-	-
Miscellaneous	183,805	147,944	-	-
Total Revenues	<u>9,812,721</u>	<u>9,067,648</u>	<u>311,622</u>	<u>235,814</u>
<b>Program Expenses:</b>				
Legislative	247,842	253,051	-	-
Judicial system	1,336,240	1,317,468	-	-
General government	2,463,482	2,180,562	-	-
Public safety	3,238,335	3,099,223	-	-
Health and welfare	1,092,334	1,279,497	-	-
Recreation and culture	668,749	643,807	-	-
Community & economic development	20,000	20,000	-	-
Other	120,580	106,774	-	-
P.A. 123 foreclosure	-	-	9,258	2,360
Delinquent tax revolving	-	-	1,187	1,963
Total Expenses	<u>9,187,562</u>	<u>8,900,382</u>	<u>10,445</u>	<u>4,323</u>
Excess (deficiency) before transfers and contributions	625,159	167,266	301,177	231,491
Transfers	<u>321,485</u>	<u>212,801</u>	<u>(321,485)</u>	<u>(212,801)</u>
Increase (decrease) in net assets	946,644	380,067	(20,308)	18,690
Net assets - beginning	<u>9,146,097</u>	<u>8,766,030</u>	<u>2,188,372</u>	<u>2,169,682</u>
Net assets - ending	<u>\$ 10,092,741</u>	<u>\$ 9,146,097</u>	<u>\$ 2,168,064</u>	<u>\$ 2,188,372</u>

## Governmental Activities



## Governmental Activities

Revenues for the County's governmental activities totaled \$10,134,206, while expenses were \$9,187,562. The excess of revenue over expenses was \$946,644, this was generally the result of the shifted tax collection and the establishment of the revenue sharing replacement account, which can only be expended per state guidelines. It also reflects elimination of several positions by attrition.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Recreation and Culture, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
Public safety	\$ 3,238,335	\$ 3,099,223	\$ 2,076,167	\$ 2,327,608
General government	2,463,482	2,180,562	1,955,445	1,763,110
Judicial system	1,336,240	1,317,468	201,426	164,259
Health and welfare	1,092,334	1,279,497	892,058	889,281
Recreation and culture	668,749	643,807	363,349	344,506
Totals	<u>\$ 8,799,140</u>	<u>\$ 8,520,557</u>	<u>\$ 5,488,445</u>	<u>\$ 5,488,764</u>

## Business-Type Activities

The County's business-type activities net assets totaled \$2,168,064, with a decrease in the current year of \$20,308.

## THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of \$5,672,436, of which, \$5,670,249 was unreserved. The General Fund unreserved fund balance amounted to \$4,036,741, with \$2,635,243 designated for future expenditures. The General Fund had an increase in fund balance of \$182,863, representing an increase of 4.7% over the prior year fund balance.

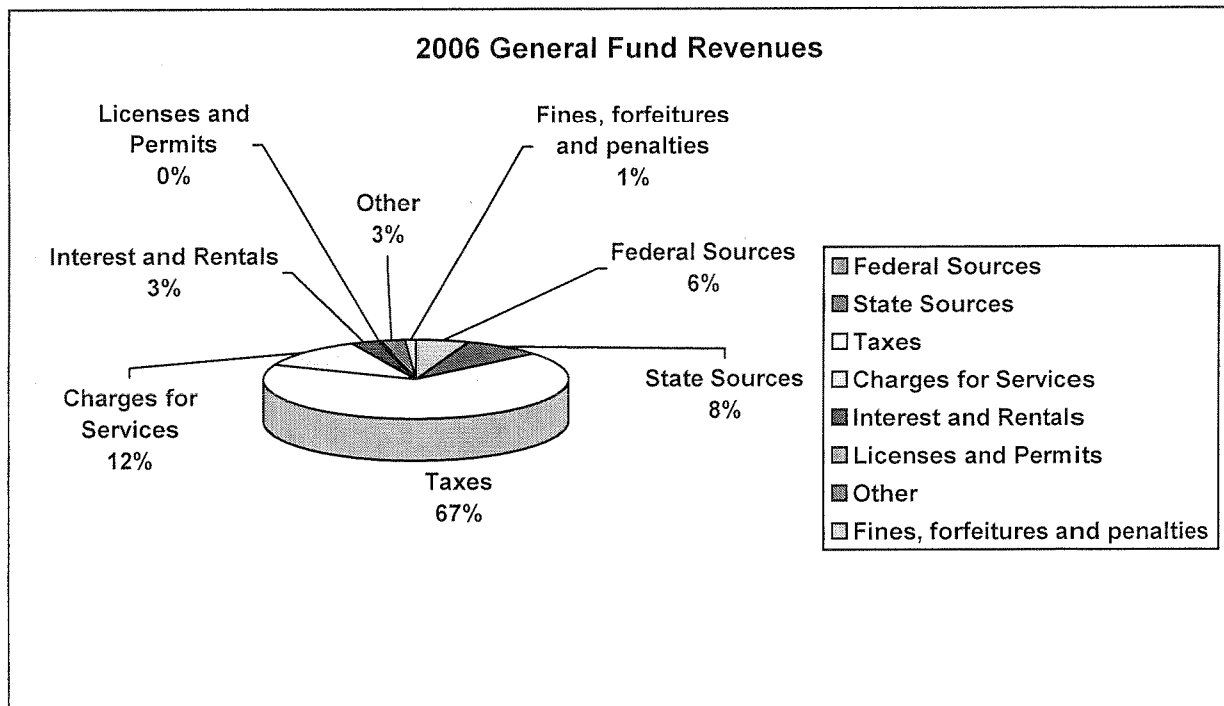
In fiscal year 2005, in accordance Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to supplement the State revenue sharing payments for

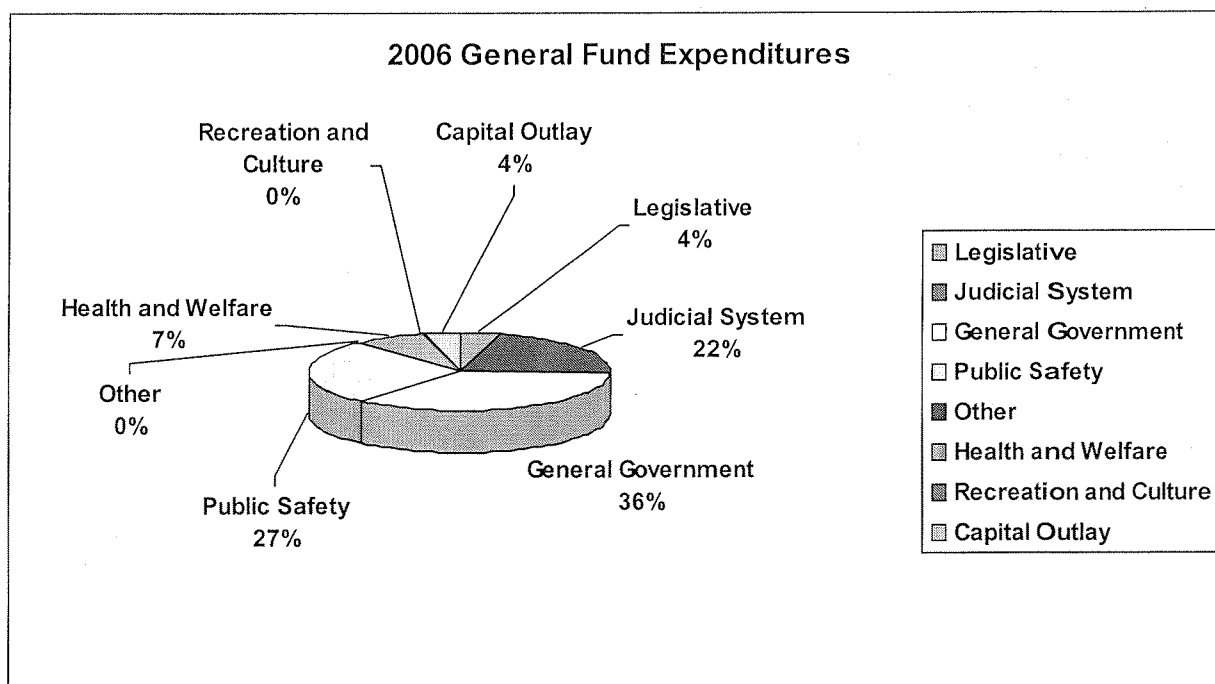
the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2006, the County placed \$1,159,297 in property taxes from the December 2005 levy into the Revenue Sharing Reserve Fund and also transferred \$467,995 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property taxes, the Act allowed the County to levy two-thirds of their property tax levy in July and that amount has been recognized as revenue in the General Fund.

### General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$80,248, representing an increase of about 1%. The budgeted expenditures of the final amended budget increased by \$153,334 over the original budget, representing an increase of 2.5%. The original budget projected a deficit of \$310,762, while the actual results showed an increase to fund balance of \$182,863. Expenses were controlled by the attrition of positions which had been budgeted, as well as switching from an experience rated insurance standing to the pool which was a 4% savings over budget.

### General Fund





## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2006, the County had \$2,936,730, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks and land. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
(net of accumulated depreciation)

	Governmental Activities 2006	Governmental Activities 2005
Land	\$ 193,709	\$ 193,709
Land improvements	98,389	69,348
Buildings and improvements	1,742,277	1,959,408
Machinery and equipment	902,355	849,234
Total	<u>\$ 2,936,730</u>	<u>\$ 3,071,699</u>

## DEBT

At year-end the County had a \$50,000 note outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities 2006	Governmental Activities 2005
Note payable to Wells Fargo Bank for community development revolving loan program	\$ 50,000	\$ 50,000
Compensated absences	418,580	395,381
Alternative retirement	274,138	267,438

There were no additions to long-term debt this fiscal year. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County is well below statutory limits.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of the future of State revenue sharing, particularly if it will ever return, as well as other changes in State government which will effect the way programs and services are provided and funded. The economy in the Menominee County area appears to be flat in relation to job growth, and in fact seems to be losing some ground. The cost of living in the Menominee County area is at the national and State average. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2006 budget, and progress has been made by going to a less costly plan, with employees starting to share the premiums, while although limited in scope is a start of getting the issue in check. Fuel prices, and heating costs continue to grow disproportionately and have significant impact on the cost of operations.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Menominee County Courthouse, 839 10<sup>th</sup> Avenue, Menominee, Michigan, 49858.



**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
September 30, 2006

	Primary Government			Component Unit
	Governmental	Business-Type		Road
	Activities	Activities	Total	Commission
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,966,425	\$ 1,592,636	\$ 6,559,061	\$ 811,556
Investments	163,135	-	163,135	1,473,175
Receivables:				
Accounts	69,917	15,007	84,924	401
Taxes	408,011	-	408,011	-
Delinquent taxes	-	548,206	548,206	-
Interest	9,909	72,901	82,810	-
Due from other governmental units	171,249	722	171,971	1,094,040
Internal balances	205,225	-	205,225	-
Prepays	28,560	-	28,560	-
Inventory	-	-	-	607,385
Total current assets	<u>6,022,431</u>	<u>2,229,472</u>	<u>8,251,903</u>	<u>3,986,557</u>
Noncurrent assets:				
Delinquent taxes	-	137,052	137,052	-
Equity interest in Twin County Airport	2,220,783	-	2,220,783	-
Capital assets, net of accumulated depreciation	2,936,730	-	2,936,730	29,304,882
Total noncurrent assets	<u>5,157,513</u>	<u>137,052</u>	<u>5,294,565</u>	<u>29,304,882</u>
Total assets	<u>\$ 11,179,944</u>	<u>\$ 2,366,524</u>	<u>\$ 13,546,468</u>	<u>\$ 33,291,439</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 272,426	\$ 1,235	\$ 273,661	\$ 1,216,640
Accrued payroll	72,059	-	72,059	78,430
Internal balances	-	197,225	197,225	-
Due to other governmental units	-	-	-	25,642
Deferred revenue	-	-	-	9,262
Long-term liabilities due within one year:				
Compensated absences	173,180	-	173,180	-
Total current liabilities	<u>517,665</u>	<u>198,460</u>	<u>716,125</u>	<u>1,329,974</u>
Long-term liabilities:				
Advances	-	-	-	152,614
Compensated absences	519,538	-	519,538	300,186
Notes payable	50,000	-	50,000	-
Total long-term liabilities	<u>569,538</u>	<u>-</u>	<u>569,538</u>	<u>452,800</u>
Total liabilities	<u>1,087,203</u>	<u>198,460</u>	<u>1,285,663</u>	<u>1,782,774</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debts	2,936,730	-	2,936,730	29,304,882
Restricted for:				
Expendable:				
Special revenue	1,475,314	-	1,475,314	-
Permanent fund	187	-	187	-
County Roads	-	-	-	2,203,783
Unexpendable	2,000	-	2,000	-
Unrestricted	5,678,510	2,168,064	7,846,574	-
Total net assets	<u>10,092,741</u>	<u>2,168,064</u>	<u>12,260,805</u>	<u>31,508,665</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,179,944</u>	<u>\$ 2,366,524</u>	<u>\$ 13,546,468</u>	<u>\$ 33,291,439</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2006**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Units
<b>Primary government:</b>								
Governmental activities:								
Legislative	\$ 247,842	\$ -	\$ -	\$ -	\$ (247,842)	\$ -	\$ (247,842)	\$ -
Judicial system	1,336,240	423,931	710,883	-	(201,426)	-	(201,426)	-
General government	2,463,482	338,282	169,755	-	(1,955,445)	-	(1,955,445)	-
Public safety	3,238,335	536,865	262,159	363,144	(2,076,167)	-	(2,076,167)	-
Health and welfare	1,092,334	52,131	148,145	-	(892,058)	-	(892,058)	-
Recreation and culture	668,749	293,038	12,362	-	(363,349)	-	(363,349)	-
Community and economic development	20,000	-	-	-	(20,000)	-	(20,000)	-
Other	120,580	-	-	-	(120,580)	-	(120,580)	-
Total governmental activities	9,187,562	1,644,247	1,303,304	363,144	(5,876,867)	-	(5,876,867)	-
Business-type activities:								
P.A. 123 foreclosure	9,258	55,872	-	-	-	46,614	46,614	-
DTRF	1,187	178,209	-	-	-	177,022	177,022	-
Total business-type activities	10,445	234,081	-	-	-	223,636	223,636	-
Total primary government	9,198,007	1,878,328	1,303,304	363,144	(5,876,867)	223,636	(5,653,231)	-
<b>Component units:</b>								
Road Commission	\$ 5,962,170	\$ 705,571	\$ 3,532,663	\$ 2,199,530	-	-	-	475,594
General revenues:								
Property taxes					6,090,642	-	6,090,642	-
Grants and contributions not restricted to specific programs					85,969	-	85,969	-
Unrestricted investment earnings					227,579	-	227,579	-
Miscellaneous					97,836	-	97,836	(805)
Transfers					321,485	(321,485)	-	-
Total general revenues and transfers					6,823,511	(321,485)	6,502,026	(805)
Change in net assets					946,644	(97,849)	848,795	474,789
Net assets, beginning					9,146,097	2,188,372	11,334,469	31,033,876
Net assets, ending					\$ 10,092,741	\$ 2,090,523	\$ 12,183,264	\$ 31,508,665

See accompanying notes to financial statements

**COUNTY OF MENOMINEE, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2006

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 3,326,061	\$ 1,329,679	\$ 310,685	\$ 4,966,425
Investments	163,135	-	-	163,135
Receivables:				
Accounts	37,498	-	32,419	69,917
Taxes	408,011	-	-	408,011
Interest	6,994	2,915	-	9,909
Due from other funds	205,225	15,000	26,462	246,687
Due from State of Michigan	115,115	-	56,134	171,249
Prepaid expense	28,560	-	-	28,560
Total assets	<u>\$ 4,290,599</u>	<u>\$ 1,347,594</u>	<u>\$ 425,700</u>	<u>\$ 6,063,893</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 183,835	\$ -	\$ 88,591	\$ 272,426
Accrued payroll	48,922	-	23,137	72,059
Due to other funds	18,688	-	22,774	41,462
Deferred revenue	2,413	-	3,097	5,510
Total liabilities	<u>253,858</u>	<u>-</u>	<u>137,599</u>	<u>391,457</u>
<b>FUND BALANCES</b>				
Unreserved:				
Designated	2,635,243	-	-	2,635,243
Undesignated	1,401,498	1,347,594	-	2,749,092
Unreserved, reported as non-major:				
Special revenue funds	-	-	285,914	285,914
Reserved	-	-	2,187	2,187
Total fund balances	<u>4,036,741</u>	<u>1,347,594</u>	<u>288,101</u>	<u>5,672,436</u>
Total liabilities and fund balances	<u>\$ 4,290,599</u>	<u>\$ 1,347,594</u>	<u>\$ 425,700</u>	<u>\$ 6,063,893</u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
September 30, 2006

Total fund balances for governmental funds	\$	5,672,436
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	315,660		
Buildings and improvements	4,063,265		
Machinery and equipment	1,888,110		
Accumulated depreciation	<u>(3,330,305)</u>		
Total capital assets			2,936,730

The County maintains a 50% equity interest in the net assets of the Twin County Airport Commission. 50% of the net assets of the Twin County Airport Commission amounted to:		2,220,783
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Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Notes payable	(50,000)		
Compensated absences	<u>(692,718)</u>		(742,718)

In the governmental fund statements, the County recorded monies received as a deferred revenue, this amount has been recognized as revenue in the statement of activities.		<u>5,510</u>
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Total net assets of governmental activities	\$	<u><u>10,092,741</u></u>
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See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2006**

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 3,911,331	\$ 1,159,297	\$ 882,574	\$ 5,953,202
Licenses and permits	8,726	-	-	8,726
Federal sources	342,530	-	319,791	662,321
State sources	636,151	-	508,260	1,144,411
Local sources	12,319	-	48,035	60,354
Charges for services	710,107	-	677,945	1,388,052
Fines, forfeitures and penalties	65,836	-	110,998	176,834
Interest and rentals	193,100	34,479	28	227,607
Other	156,939	-	32,377	189,316
Total revenues	6,037,039	1,193,776	2,580,008	9,810,823
<b>EXPENDITURES:</b>				
Legislative	240,368	-	-	240,368
Judicial system	1,283,581	-	13,829	1,297,410
General government	2,130,529	-	234,304	2,364,833
Public safety	1,611,729	-	1,331,976	2,943,705
Health and welfare	429,152	-	659,487	1,088,639
Recreation and cultural	13,380	-	616,843	630,223
Community and economic development	20,000	-	-	20,000
Capital outlay	230,747	-	168,931	399,678
Other	1,210	-	-	1,210
Total expenditures	5,960,696	-	3,025,370	8,986,066
Excess revenues (expenditures)	76,343	1,193,776	(445,362)	824,757
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	789,480	-	682,960	1,472,440
Transfer out	(682,960)	(467,995)	-	(1,150,955)
Total other financing sources (uses)	106,520	(467,995)	682,960	321,485
Net change in fund balance	182,863	725,781	237,598	1,146,242
Fund balances - beginning of year	3,853,878	621,813	50,503	4,526,194
Fund balances - end of year	\$ 4,036,741	\$ 1,347,594	\$ 288,101	\$ 5,672,436

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2006

Net changes in fund balances - total governmental funds	\$ 1,146,242
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$293,678) exceeded capital outlays (\$241,451).	(52,227)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	
Compensated absences	(29,899)
Revenue which was deferred in the fund financial statements but recognized in the government-wide financial statements.	1,898
Change in value of the equity interest in the airport on the government-wide financial statements.	(36,628)
Loss on the sale of assets which is recognized in the government-wide financial statements.	(82,742)
Changes in net assets of governmental activities	<u>\$ 946,644</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2006

	<u>DTRF</u>	<u>Nonmajor Enterprise Fund P.A. 123 Foreclosure</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 1,503,140	\$ 89,496	\$ 1,592,636
Receivables:			
Accounts	14,608	399	15,007
Delinquent taxes	548,206	-	548,206
Interest	72,901	-	72,901
Due from other governmental units	722	-	722
Total current assets	<u>2,139,577</u>	<u>89,895</u>	<u>2,229,472</u>
Noncurrent assets:			
Delinquent taxes	<u>137,052</u>	<u>-</u>	<u>137,052</u>
Total assets	<u><u>\$ 2,276,629</u></u>	<u><u>\$ 89,895</u></u>	<u><u>\$ 2,366,524</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 712	\$ 523	\$ 1,235
Due to other funds	<u>197,225</u>	<u>-</u>	<u>197,225</u>
Total liabilities	<u>197,937</u>	<u>523</u>	<u>198,460</u>
<b>NET ASSETS</b>			
Unrestricted	<u>2,078,692</u>	<u>89,372</u>	<u>2,168,064</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,276,629</u></u>	<u><u>\$ 89,895</u></u>	<u><u>\$ 2,366,524</u></u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2006**

	DTRF	Nonmajor Enterprise Fund P.A. 123 Foreclosure	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 54,572	\$ 55,872	\$ 110,444
Rental and interest income	123,637	-	123,637
Total operating revenue	<u>178,209</u>	<u>55,872</u>	<u>234,081</u>
<b>OPERATING EXPENSES:</b>			
Supplies	-	5,139	5,139
Travel	-	453	453
Printing and publishing	-	2,825	2,825
Miscellaneous	1,187	841	2,028
Total operating expenses	<u>1,187</u>	<u>9,258</u>	<u>10,445</u>
Operating income (loss)	<u>177,022</u>	<u>46,614</u>	<u>223,636</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Transfer out	(300,000)	(21,485)	(321,485)
Investment income	77,541	-	77,541
Total nonoperating revenues (expenses)	<u>(222,459)</u>	<u>(21,485)</u>	<u>(243,944)</u>
Change in net assets	(45,437)	25,129	(20,308)
Total net assets - beginning	<u>2,124,129</u>	<u>64,243</u>	<u>2,188,372</u>
Total net assets - ending	<u><u>\$ 2,078,692</u></u>	<u><u>\$ 89,372</u></u>	<u><u>\$ 2,168,064</u></u>

See accompanying notes to financial statements.



**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2006**

	DTRF	Nonmajor Enterprise Fund P.A. 123 Foreclosure	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 117,114	\$ 55,691	\$ 172,805
Receipts from interest and rents	112,489	-	112,489
Cash received for collection of taxes	1,383,045	-	1,383,045
Payments to suppliers	(1,346)	(8,906)	(10,252)
Cash payments for taxes	(1,366,149)	-	(1,366,149)
Other receipts (payments)	-	(15,576)	(15,576)
	<u>245,153</u>	<u>31,209</u>	<u>276,362</u>
Net cash provided (used) by operating activities			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfer out	<u>(300,000)</u>	<u>(21,485)</u>	<u>(321,485)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	<u>77,541</u>	<u>-</u>	<u>77,541</u>
Net increase (decrease) in cash and equivalents	22,694	9,724	32,418
Cash and equivalents, beginning of year	<u>1,480,446</u>	<u>79,772</u>	<u>1,560,218</u>
Cash and equivalents, end of year	<u>\$ 1,503,140</u>	<u>\$ 89,496</u>	<u>\$ 1,592,636</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	<u>\$ 177,022</u>	<u>46,614</u>	<u>\$ 223,636</u>
Changes in assets and liabilities:			
(Increase) decrease in receivables	68,290	(181)	68,109
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in accounts payable	(159)	352	193
Increase (decrease) in due to other funds	<u>-</u>	<u>(15,576)</u>	<u>(15,576)</u>
Total adjustments	<u>68,131</u>	<u>(15,405)</u>	<u>52,726</u>
Net cash provided by operating activities	<u>\$ 245,153</u>	<u>\$ 31,209</u>	<u>\$ 276,362</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2006**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 1,777,106
Due from other governmental units	<u>5</u>
Total assets	<u><u>\$ 1,777,111</u></u>
<b>LIABILITIES</b>	
Due to other funds	\$ 8,000
Due to other governmental units	1,598,554
Other liabilities	<u>170,557</u>
Total liabilities	<u><u>\$ 1,777,111</u></u>

See accompanying notes to financial statements.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Menominee was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Menominee.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Menominee County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has one component unit for which the financial data has been blended with the primary government financial statements.

Menominee County Library - The Menominee County Library is governed by a five-member board appointed by the County Board. Although it is legally separate from the County, the Library is reported as if it were part of the primary government because its primary purpose is to serve the population of Menominee County.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit sections in the Statement of Net Assets and the Statement of Activities include the financial data of the Menominee County Road Commission. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Menominee County Road Commission - The Menominee County Road Commission, which is established pursuant to the County Road law (MCL 224.1), is governed by an elected three member Board of Commissioners. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission may be obtained at the following address:

Menominee County Road Commission  
P.O. Box 527  
Stephenson, Michigan 49887

Joint Ventures – Menominee County is a participant in the following joint ventures:

Twin County Airport – Menominee County participates with Marinette County, Wisconsin, in a joint venture to operate the Twin County Airport located in the City of Menominee, Michigan. The Twin County Airport Commission (TCAC) was created for that purpose. The TCAC is governed by a six member board composed of three appointees from each county. Members from each county are appointed by the chairperson of that county, subject to the approval of the respective county board. Both counties are obligated by agreement to share equally in providing the local funds necessary for the operation and improvement of the airport. Each county maintains a fifty percent equity interest in the net assets of the Airport. During 2006, Menominee County remitted an operating appropriation of \$86,241 to the TCAC. Complete financial statements for the TCAC can be obtained from the TCAC office at 2801 North 22<sup>nd</sup> Street, Menominee, Michigan, 49858.

Pinecrest Medical Care Facility - Menominee County is a participant with Dickinson and Delta Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta-Menominee District Health – Menominee County is a participant with Delta County in a joint venture to operate the Delta-Menominee District Health Department. The Delta-Menominee District Health Department Board was created for that purpose. The Delta-Menominee Health Department is governed by a six member board composed of three members appointed from each county. The Counties are obligated by agreement to a funding formula that requires Menominee County to provide 40% and Delta County 60% of the net budget appropriation requirements. During 2006, Menominee County remitted an operating appropriation of \$144,363 to the Health Department. Complete financial statements for the Delta-Menominee District Health Department can be obtained from the Department's office at 2920 College Avenue, Escanaba, Michigan, 49829.

#### Jointly Governed Organization

Northpointe Behavioral Healthcare Systems Authority – Menominee, Dickinson, and Iron Counties entered into an inter-local agreement on October 16, 1994 for the purpose of establishing an Authority to govern community mental health programs.

Northpointe was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7, is governed by a twelve member board. The board is made up of five members each from Menominee and Dickinson Counties and two members from Iron County. The County does not have an ongoing financial interest or an ongoing financial responsibility in Northpointe but did make an appropriation in the amount of \$99,608.

Complete financial statements for Northpointe can be obtained from their office located at 715 Pyle Drive, Kingsford, Michigan, 49802.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies - The accounting policies of the County of Menominee conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements - The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve – The Revenue Sharing Reserve fund accounts for the activities related to the passing of Public Act 357 of 2004, which requires the County to place one-third of their December 2004, 2005 and 2006 levy into this fund and transfer a portion of those funds to the General Fund annually until the Revenue Sharing Reserve fund is depleted. The fund was created to supplement the County for the loss of State revenue sharing payments. The amount transferred to the General Fund is determined annually by the State of Michigan.

The County reports the following as major proprietary funds:

Delinquent Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additionally, the County reports the following fund types:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the P.A. 123 Foreclosure enterprise fund are fees charged to delinquent property owners as part of the foreclosure process and the sale of parcels of property at the land auction and the principal operating revenues of the Delinquent Tax Revolving fund are interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.



COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. During mid-year, County management submits to the County Board a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by County Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year will lapse unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the General Fund and special revenue funds.
- d. Expenditures may not exceed appropriations provided in detail budget accounts maintained for each activity of department of the County. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the County Board.
- e. Encumbrance accounting is not used by the County to record commitments related to unperformed contracts for goods or services.
- f. The general Michigan statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are stated at cost or amortized cost which approximates market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal as cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1<sup>st</sup>, and are payable without penalty through the following February 28.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The December 2005 taxable valuation of Menominee County amounted to \$506,405,900 on which ad valorem taxes of 4.8064 mills were levied for operations, 1.1189 mills for county road patrol, and .5755 mills for senior citizens programs. The December 2005 tax levy should raise approximately \$2,433,989 for County operating purposes, \$566,618 for road patrol and \$291,437 for senior citizens programs.

In fiscal year 2006, the County is required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy from County operations (\$1,159,297) into the Revenue Sharing Reserve Fund, leaving one-third of the levy for County General Fund operations. In July 2006, the County levied two-thirds of the property taxes for County operations and these funds will be used to fund operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$1,159,297 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills, which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property Taxes (continued)

Because County operating mills will be levied on July 1<sup>st</sup> for each fiscal year ended September 30, it is the County of Menominee's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Available means collected within the current period or expected to be paid from the delinquent tax revolving fund within one year.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$3,477,891 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$467,995 was transferred for fiscal year 2006. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2012 fiscal year.

Capital Assets – Capital assets, which include property, buildings and equipment assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE B - BUDGET AND FUND BALANCE NON-COMPLIANCE

Budget Violations - Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended September 30, 2006 expenditures were incurred in excess of amounts appropriated in the amended budgets for the following funds:

	<u>Total</u> <u>Appropriation</u>	<u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
Revenue Sharing Reserve	\$ -	\$ 467,995	\$ (467,995)
Road Patrol	787,547	837,773	(50,226)
County Parks	232,311	236,698	(4,387)
Corrections Officers Training	-	2,255	(2,255)
Drug Law Enforcement	-	595	(595)
911 Program	502,897	504,528	(1,631)
K-9	-	389	(389)
Senior Citizens	290,582	297,624	(7,042)
Child Care	154,100	195,542	(41,442)

During the year ended September 30, 2006, expenditures were incurred in excess of the amounts appropriated in the amended budgets for certain activities or functions within the General Fund, however total expenditures did not exceed total appropriations.

Deficit Fund Balances – Deficits existed in the unreserved fund balances of the following funds as of September 30, 2006:

County Road Patrol	\$ 48,474
Remonumentation	31,510
Building Department	7,601
CDBG Housing	98
Homeland Security Grant	22,404
2004 Homeland Security Grant	1,128
Child Care	65,721
Veterans Trust	87
State-Special Child Care	7,635

Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - i. The purchase of securities on a when-issued or delayed delivery basis.
  - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
  - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

**COUNTY OF MENOMINEE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of \$3,860. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 40, risk disclosures for deposits are as follows:

	<u>Primary Government</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,021,396	\$ 1,024,793
Uninsured	<u>7,314,771</u>	<u>7,423,889</u>
Total cash	<u><u>\$ 8,336,167</u></u>	<u><u>\$ 8,448,682</u></u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 6,559,061	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	<u>1,777,106</u>	
Total cash and equivalents	<u><u>\$ 8,336,167</u></u>	
Investments:		
Non-risk categorized investments:		
External investment pool	<u><u>\$ 163,135</u></u>	

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2006

### NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

The County's cash and investments are subject to several types of risk, which are examined below in more detail:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has \$7,423,889 of bank deposits that were uninsured and uncollateralized.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. The County's investment is in a 2a7-like investment pool, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

#### **Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investments in 2a7-like investment pools are not subject to interest rate risk disclosure.

#### **Credit Risk**

State law and the County's investment policy limits the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County's investments are with MBIA in a 2a7-like investment pool, which is not rated.